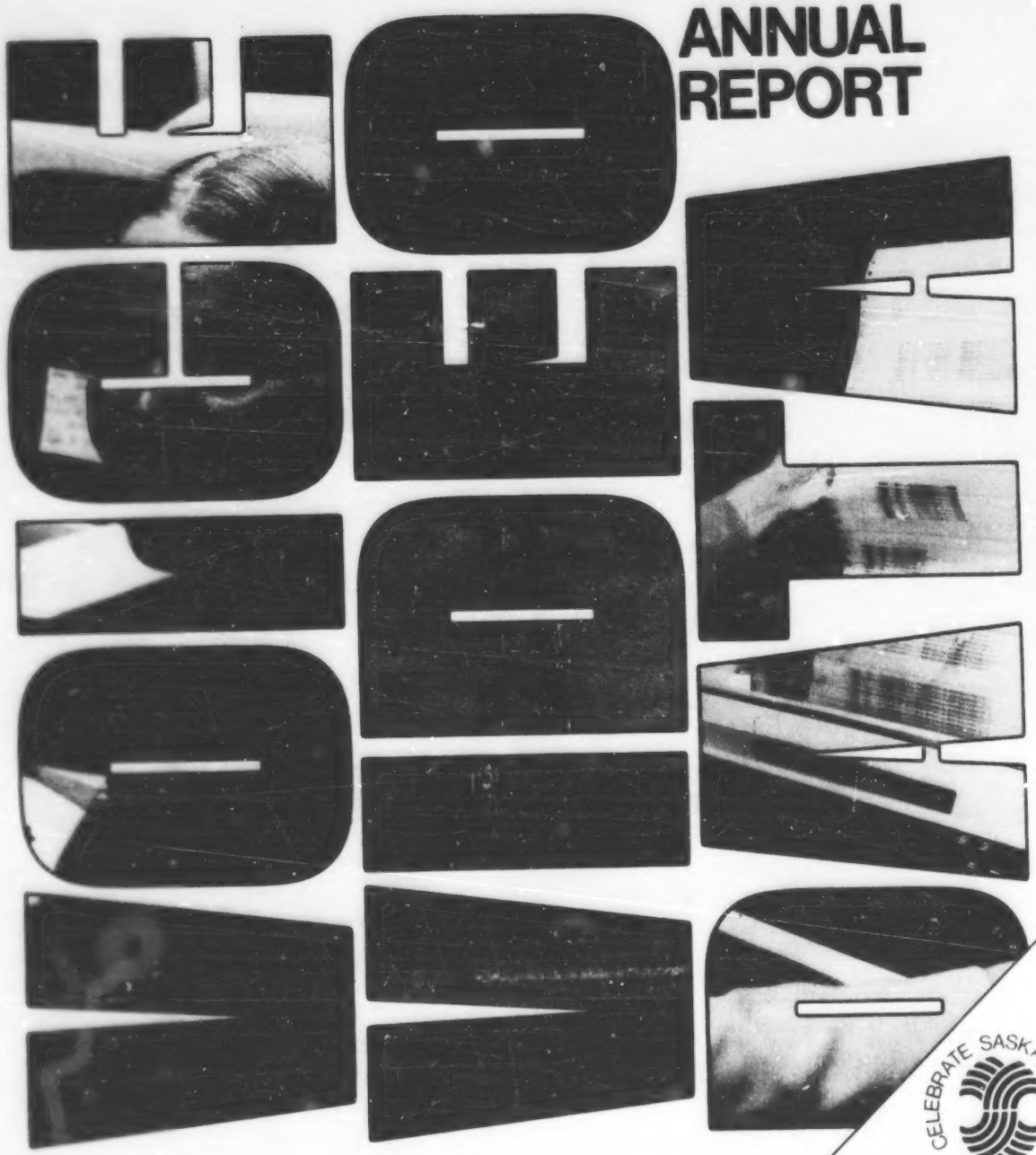
Saskatchewan Telecommunications

sask
Telecommunications

1979 ANNUAL REPORT



CELEBRATE SASKATCHEWAN
1905-1980

Regina, Saskatchewan.
February 28, 1980

To His Honour,
The Honourable C. Irwin McIntosh,
Lieutenant Governor of the
Province of Saskatchewan.

Dear Sir:

I have the honour to submit herewith the annual report of Saskatchewan Telecommunications for the year ending December 31, 1979, including the financial statements therefor, duly certified by the Provincial Auditor, and in the form approved by the Treasury Board, all in accordance with the Saskatchewan Telecommunications Act.

I have the honour to be Sir,
Your obedient servant,

Minister of Telephones and
Chairman Saskatchewan
Telecommunications

HIGHLIGHTS
The Report at a Glance

- A record 65,134,000 long distance calls originated in Saskatchewan, a 10.2% increase over 1978.
- The number of telephones in service reached an all time high of 584,456, a 6.1% increase over 1978.
- SASK TEL's cable TV local distribution systems of 2,529 kilometres was serving 66,980 subscribers at the end of 1979.
- The province's first digital switching machine went into service in La Ronge.
- A total of 32 rural telephone companies were voluntarily assimilated under the Rural Service Improvement Program.
- Construction expenditures were $95.6 million, bringing the corporation's total value of property, plant and equipment to $723.2 million.
- Operating revenues increased 19.6%, to $197.3 million.
- Operating expenses increased 19.3%, to $139.9 million.
- Net income amounted to $25.2 million, of which half, or $12,625,000, was appropriated as a dividend to the Crown Investments Corporation of Saskatchewan.

SASK TEL

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ANNUAL REPORT
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Hon. D. W. Cody
Chairman

BOARD OF DIRECTORS

Hon.
R. J. Romanow
Saskatoon

W. E. Clarke
Regina

Mrs. F. Peterson
Biggar

A. A. Voegeli
Regina

* E. Brunanski
Wakaw

*G. Classen
St. Gregor

*W. Senft
Lipton

Ms. C. Bryant
Secretary

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The following board members retired in 1979: Peter Kilburn (Regina), Don McMillan (Regina), John Nieman (Englefeld), Fred Senft (Lipton) and James West (Foam Lake).

*Appointed during 1979.

A. L. M. Nelson
President

GOALS AND OBJECTIVES

As a public utility charged with the responsibility of providing the telecommunications services required by the people of Saskatchewan, SASK TEL's service goals and objectives may be summarized as follows:

- **To provide an efficient and integrated voice telecommunications service with universal access throughout the province.**
- **To extend, wherever practicable, universal access to other services such as video and data.**
- **To explore and apply all appropriate new technologies to optimize the benefits of one integrated network.**
- **To improve the quality and reliability of services to all users including those in rural and remote areas.**
- **To connect the corporation's facilities with those of other [illegible] members to meet the [illegible] for national [illegible] communication.**

GENERAL MANAGER'S VIEW

The year under review has been a successful one for the corporation in a number of areas. The volume of business continued to increase at a significant rate as evidenced by the number of additional telephones placed in service and the increased volume of message traffic. This is a reflection of the relative buoyancy of the Saskatchewan economy.

The 1979 segment of our rural service improvement program was successfully completed during the year. The rural telephone company assimilation program, while not complete, has progressed to the point where at year end there remained only some 6,800 telephone subscribers in the province served by rural telephone companies. It is now planned to complete the rural buried cable program by 1982 and it is expected that most of the remaining rural telephones will have been assimilated by the corporation at that time.

The socio-economic and technological environments facing the telecommunications industry are changing at a rather rapid pace. The recent decision by the Canadian Radio-television and Telecommunications Commission directing the interconnection of the Bell Canada network with the facilities of CNCP Telecommunications is said to be for the purpose of enabling the latter network to continue to compete in the data market. However, in our view, there are insufficient safeguards to prevent such interconnection from resulting in indirect competition for the voice message toll market. This will have the effect of diverting from the operating telephone companies significant amounts of long distance message revenue which has traditionally been used to ensure universally available telephone service at reasonable prices.

Additionally, there are indications that the telephone terminal market in Central Canada may soon be opened up to competition. This, in our view, is also an undesirable development in that the quality of service will be adversely affected where the operating telephone company does not have control of the system from end to end. Inadequate maintenance of those terminals owned by subscribers will result in the deterioration of the quality of service provided by the network as a whole, as well as increased costs. These changes are being promoted as being in the public interest through stimulation of innovation to create a greater choice for the customer.

> "The corporation is continuing in its efforts in bringing new telecommunications services to the people of Saskatchewan."

The rapid rate of change in telecommunications technology which has been in evidence during the last two or three decades continues. New switching and transmission developments are resulting in the convergence of telecommunications and computer technologies. Digital switching and transmission are now economically feasible and result in improved transmission quality. For this reason, SASK TEL along with the rest of the industry in Canada, has embarked on a gradual program of converting the existing analog voice network to a digital network capable of handling voice, video and data.

Optical fibre cable utilizing hair-thin glass fibres for the transmission of information via light beams is now available. It is a large capacity transmission medium and is an economic alternative to microwave and satellite transmission for certain applications. It has the added advantage of not being dependent on the limited radio frequency spectrum. It is also immune to electromagnetic interference. The corporation is continuing in its efforts to use such new technologies in bringing improved and new telecommunications services to the people of Saskatchewan.

Recognizing the changing telecommunications environment, SASK TEL is restructuring its formal organization to enhance its capabilities to meet the service demands of its customers. The new structure was substantially in place at year end and we are optimistic that it will serve the corporation well for at least the next five years.

From a financial point of view, the year's operating results were satisfactory. Continuing inflationary pressures resulted in higher costs of the two main inputs, namely capital and labor, necessitating a rate increase in the second quarter. The net income of some $25 million represents a reasonable return to the owners — the people of Saskatchewan — on the capital resources employed by the corporation during the year.

I wish to acknowledge with thanks the wholehearted support and diligent efforts of our employees during the year.

The future of the corporation is indeed promising and management and staff look forward with anticipation to the challenges which lie ahead.

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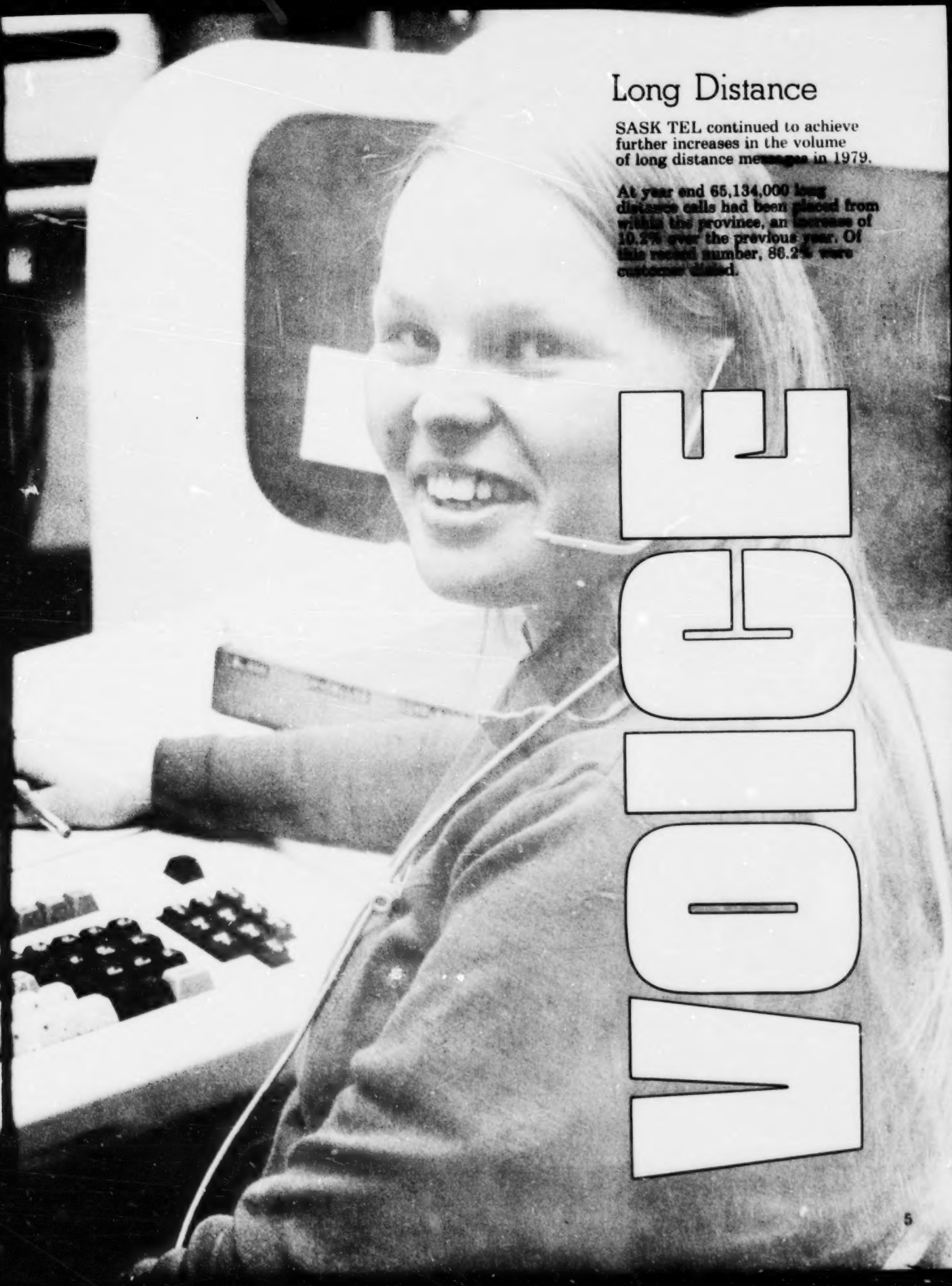
These float planes, moored at a bay near La Ronge, reflect the growing amount of activity taking place at this thriving northern community.

Inset (top) many employees served as volunteers at the Western Canada Summer Games in Saskatoon. (above) a reporter uses a broadcast unit to send a report to his radio station.

Large photo — an operator at one of the modern TOPS units.

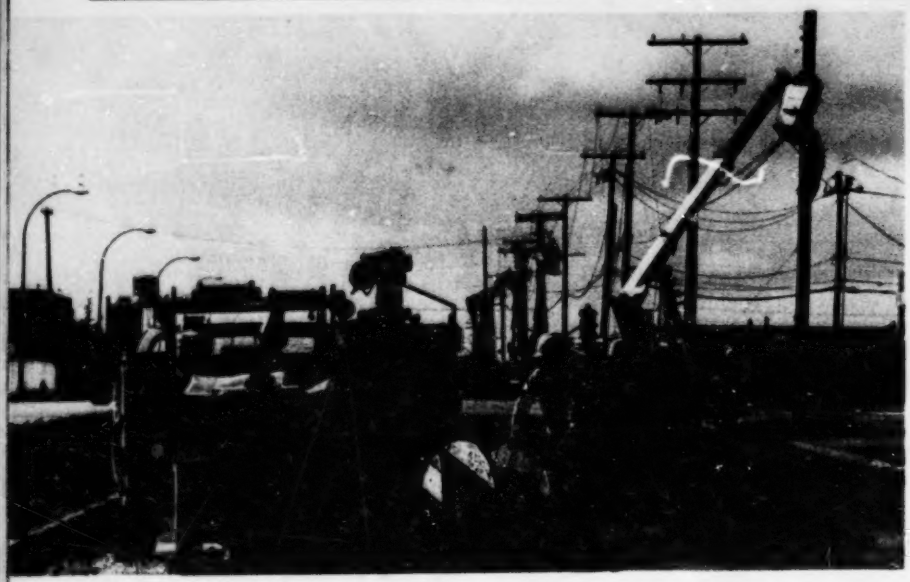


Long Distance

SASK TEL continued to achieve further increases in the volume of long distance messages in 1979.

At year end 65,134,000 long distance calls had been placed from within the province, an increase of 10.2% over the previous year. Of this record number, 86.2% were customer dialed.

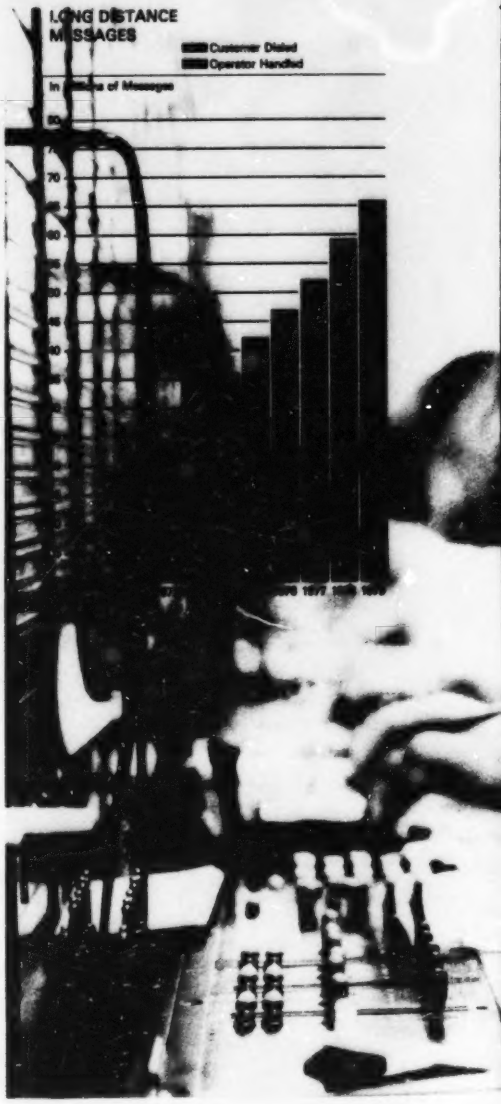
VOICE



A SASK TEL crew moves quickly to restore service after the disastrous August 8 windstorm.

The use of the long distance network by Saskatchewan residents has increased dramatically over the last few years, the 1979 volume being three times what it was only seven years ago.

During the year 18 more exchanges were supplied with equipment to make Automatic Number Identification (A.N.I.) service possible. A.N.I. eliminates the need for customers to verbally give the operator their number. The A.N.I. additions brought the number of exchanges with such service to 57. At year end, 73.5% of the telephones in the province had A.N.I. service.



Local Service

In 1979 SASK TEL connected 186,809 telephones and disconnected 153,406 to produce a net gain of 33,403. As a result there were 584,456 telephones in service at year end, a 6.1% increase over the previous year.

Near mid-year SASK TEL announced an expansion of its Extended Area Service (E.A.S.) program. By the end of the year seven communities had voted in favour of E.A.S.

Extended Area Service is an arrangement whereby all the customers in an exchange area may call or be called by all customers in one or more exchange areas without paying a long distance message charge. Subscribers in exchange areas that vote in favor of E.A.S. pay a higher monthly rental in return for the privilege of toll free calling within the extended area.

During the year, the corporation assimilated 32 rural telephone companies consisting of 2,301 subscribers. At year end there were 143 rural telephone companies consisting of 6,812 subscribers in operation throughout the province.

The reduction in the number of rural telephone companies is a direct result of the overwhelming acceptance of SASK TEL's Rural Service Improvement Program. The program, which began in 1977, has resulted in the voluntary assimilation of 561 rural telephone companies and over 42,000 subscribers.

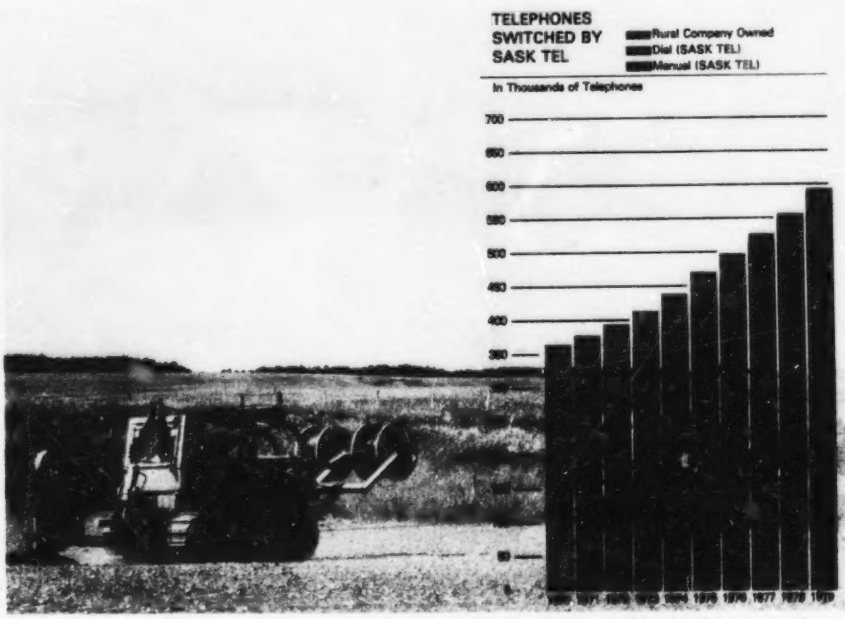
Although originally scheduled for completion in 1983, present plans provide for completion a year ahead of schedule.

Another program involving the provision of touch tone calling to all areas of the province, continued in 1979. During the year 100 exchanges were provided with the equipment necessary to allow customers the option of push button service. An additional 164 exchanges will receive similar equipment during 1980.

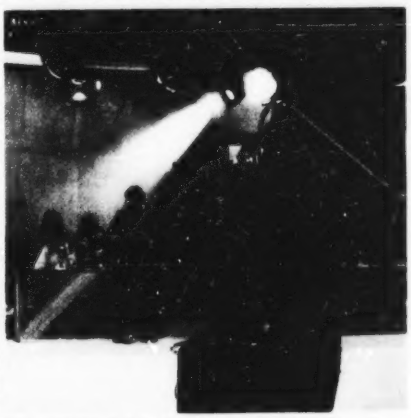
Individual Line Service

Ten communities were upgraded from multi-party line service to individual line service during the year. The ten are: Waldeck, McLean, Clavet, Mervin, Weekes, Plunkett, Fleming, Bradwell, Medstead and Copper Sands.

An operator at one of the corporation's older cord-type switchboards.



A crew puts cable underground as part of the corporation's Rural Service Improvement Program.



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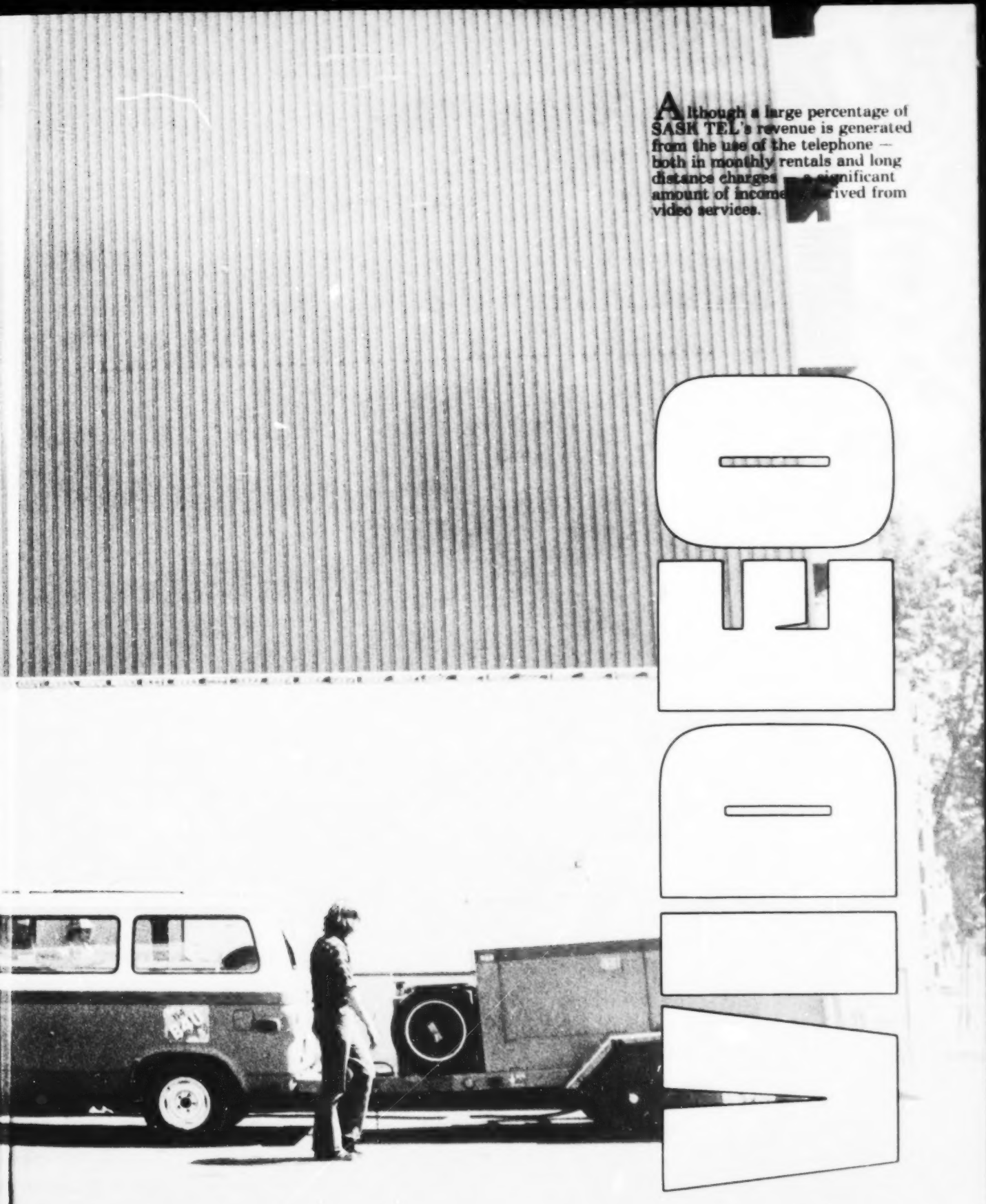
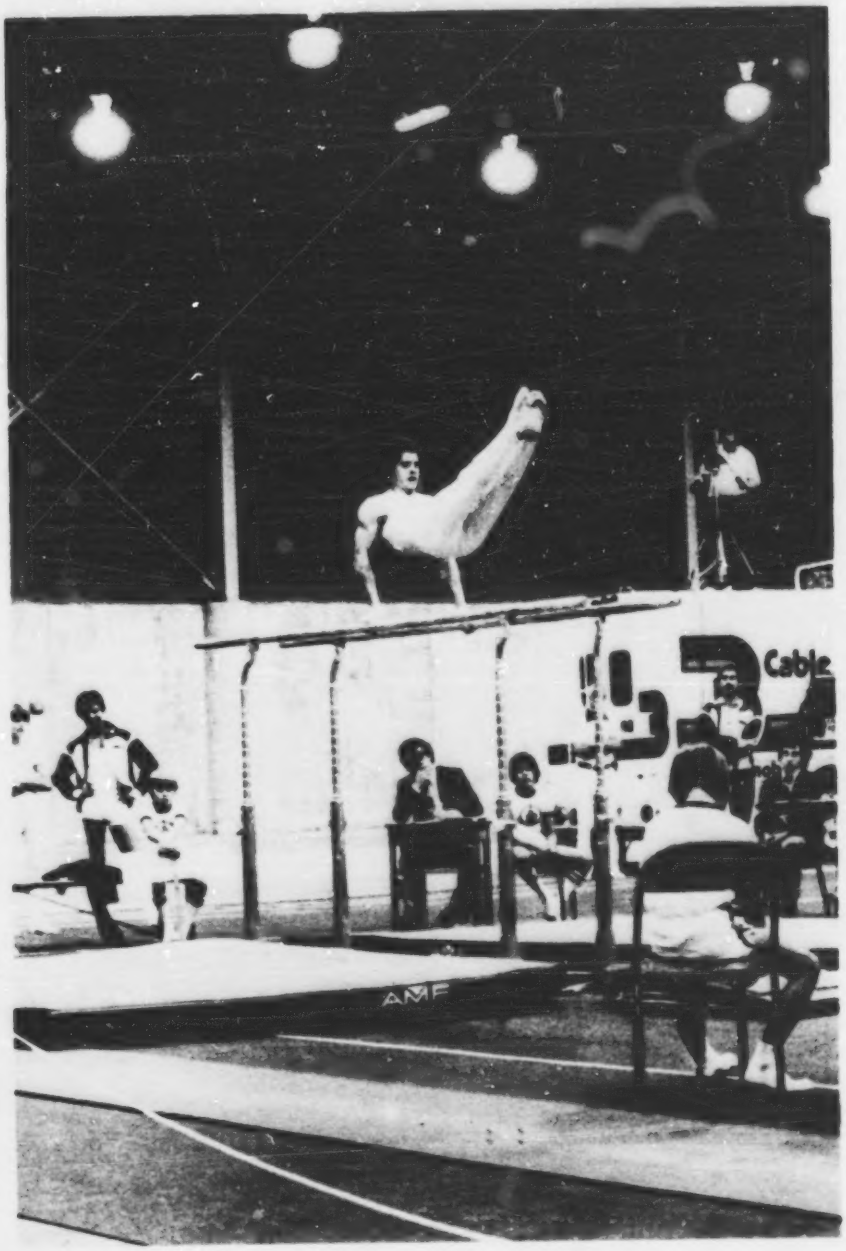
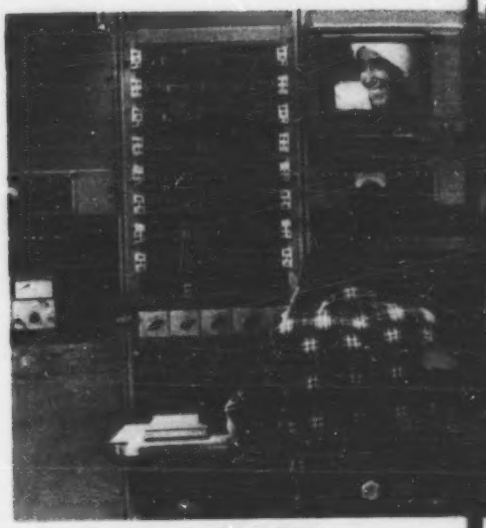
Telethon in progress ...
TV studio.

Large photo — SASK TEL technicians assist a TV crew with the transmission of a Saskatchewan Roughrider game.

Although a large percentage of SASK TEL's revenue is generated from the use of the telephone — both in monthly rentals and long distance charges — a significant amount of income is derived from video services.





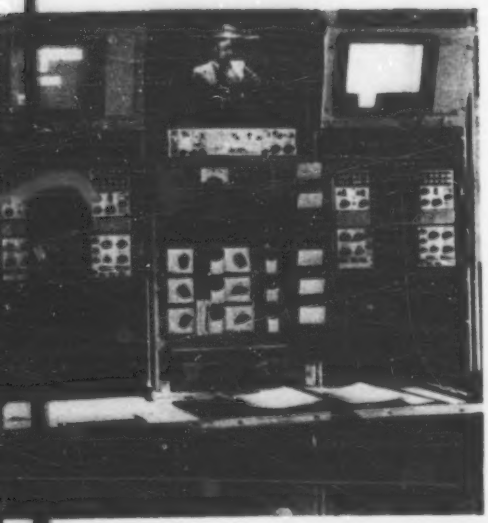


Above — one of SASK TEL's tasks is the distribution of CBC and CTV network programming to local television stations throughout the province.

Left — a young athlete competes while the camera rolls at the Western Canada Summer Games in Saskatoon.

The microwave facilities carrying the American broadcast signals within the province and the local distribution system for cable TV in Regina, Saskatoon, North Battleford and Moose Jaw are owned by the corporation.

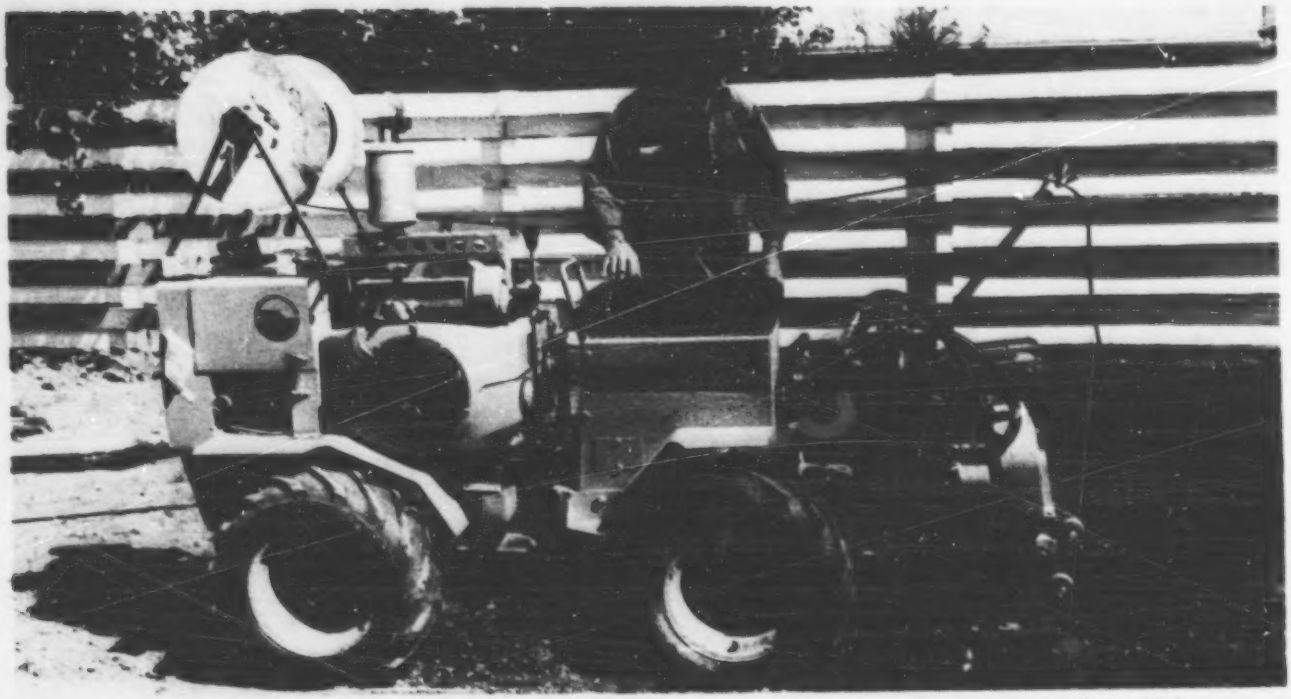
In order to carry a wider variety of programming in the near future, two other American TV channels are being added to the provincial cable TV network. One channel will be brought into Regina from Manitoba via Moosomin and the other from an off-the-air pickup near Oxbow.



"SASK TEL's cable TV local distribution system of 2,529 kilometres was serving 66,980 subscribers at the end of 1979."

During the year an agreement was reached between SASK TEL and the Cablecom Corporation to distribute closed circuit signals to subscribers in Regina, Saskatoon and Moose Jaw.

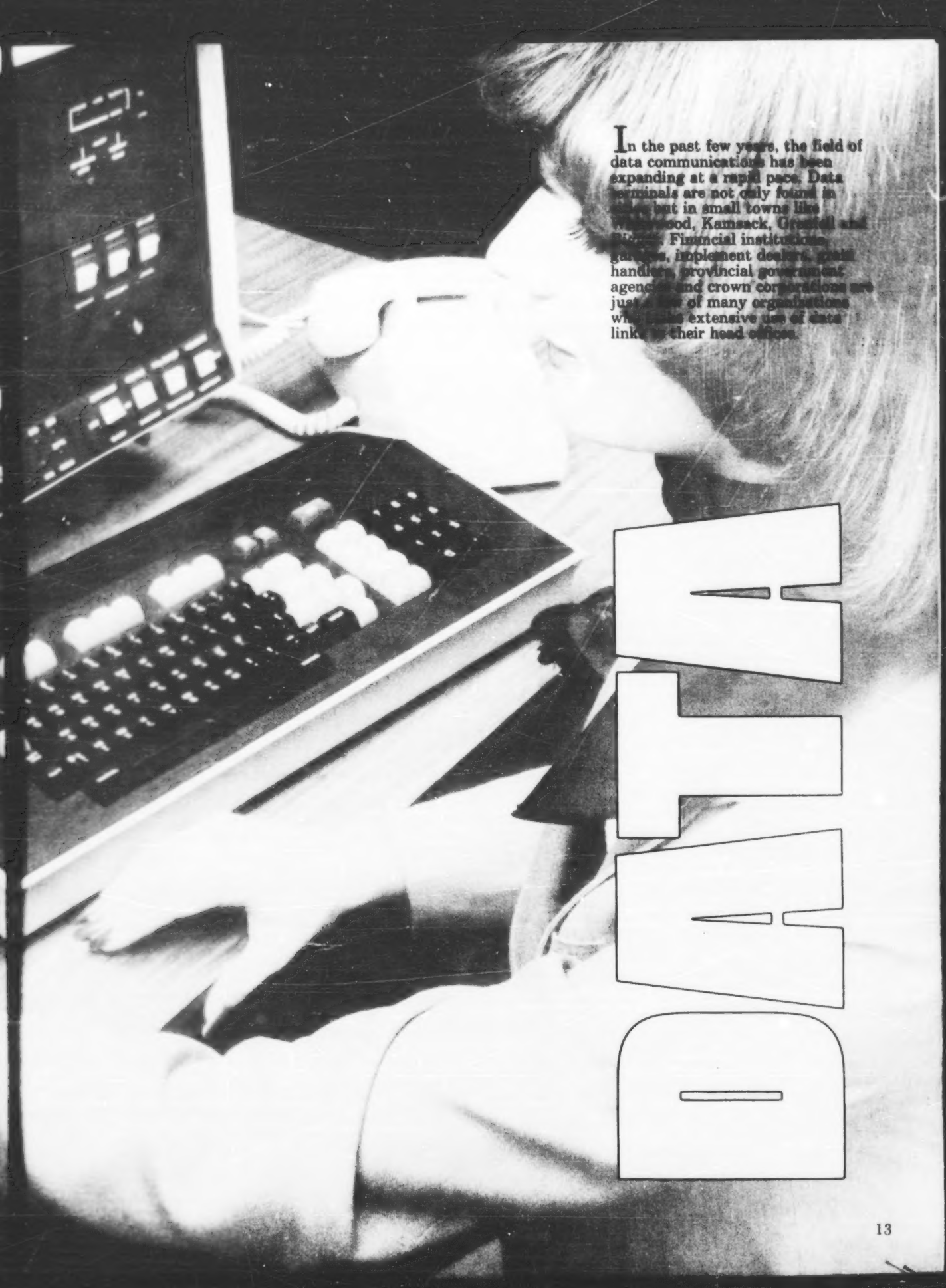
SASK TEL also distributes CBC and CTV network programming throughout the province.



During the year many coaxial drop wires were installed which provided even more residents with cable TV. At the end of 1979, nearly 67,000 residents were receiving this service.

Inset (top) Vutran, a new data terminal, was introduced in mid-year; (above) a VUcom II system and a Dataroute link installed during the year [illegible] this customer with a [illegible] stock records [illegible]

Large photo [illegible] terminal with optional [illegible] tape cassette.



DATA

In the past few years, the field of data communications has been expanding at a rapid pace. Data terminals are not only found in cities but in small towns like Wadena, Watrous, Kamsack, Grenfell and Biggar. Financial institutions, garages, implement dealers, grain handlers, provincial government agencies and crown corporations are just a few of many organizations which make extensive use of data links to their head offices.

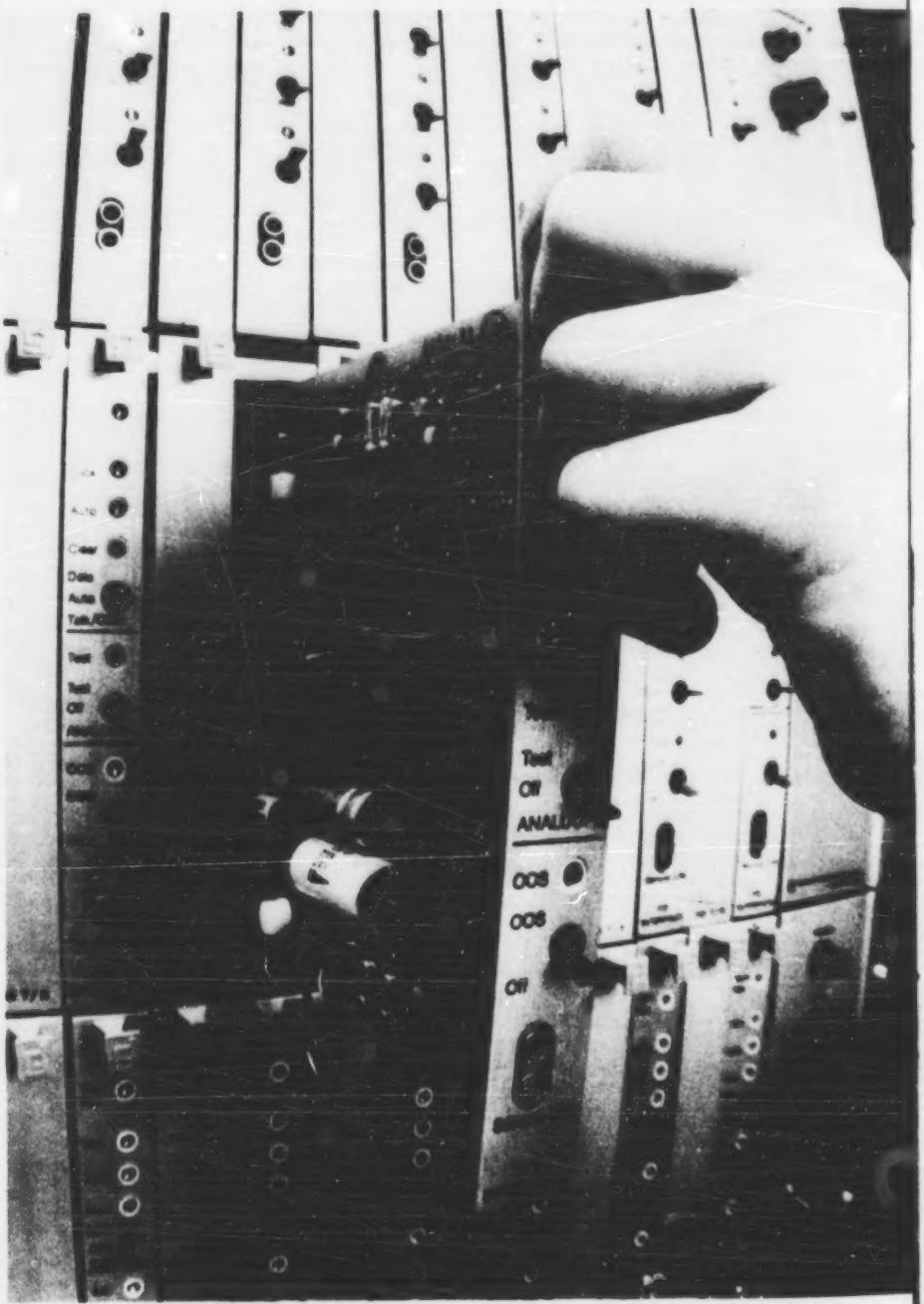
A section of Regina's data test centre.

Data test centres in Regina and Saskatoon are manned 24 hours a day, 365 days a year to provide reliable service.

During the year a new rate structure for intra-provincial data transmission was announced. The tariff revision provides rates which have been reduced by as much as 35% for medium and high speed, high volume private line data transmission. The new rates will pave the way for the establishment of a lower priced provincial data network. The network is capable of interconnection with the TransCanada Telephone System's Dataroute network.

A new data terminal called Vutran was introduced by the Computer Communications group in mid-year. The new unit was designed to assist in a variety of day-to-day applications from credit authorization to inventory control.

Through its Computer Communications Group, SASK TEL provides a wide range of video display terminals, teleprinters, data sets and data transmission facilities.



In the past few years the field of data communications has been expanding at an ever increasing rate.

TRANSCANADA TELEPHONE SYSTEM

SASK TEL completed a number of projects in 1979 in order to meet its service obligations as a member of the TransCanada Telephone System (TCTS).

The organization, which is a consortium of Canada's nine major telephone companies and Telesat Canada, was founded in 1931 to pool resources in meeting national needs.

All members belonging to TCTS have a dual role: to provide high quality service within the territory they serve and to work together to provide efficient, nation-wide facilities and services.

SASK TEL's participation in TCTS is highly significant both in terms of its contributions to providing national telecommunications services and the amount of revenue derived from those services.

> "SASK TEL's participation in TCTS is highly significant. . ."

The Canadian Radio-television and Telecommunications Commission (CRTC), which is the regulatory authority for three of the member companies, is in the process of reviewing TCTS rates and the plan being used to settle revenues among TCTS members. Public hearings are scheduled to commence in April 1980.

EMPLOYEES

One of SASK TEL's greatest strengths over the years has been its employees. Their dedication to service is widely recognized as one of the reasons for the progress achieved by the corporation in meeting the telecommunications needs of the people of Saskatchewan.

During the year, exciting and dynamic changes continued to take place in the industry. Because these changes will ultimately affect the working lives of many employees, SASK TEL offered a number of training programs to help its people keep abreast of the rapidly changing world of telecommunications technology.

All of the programs, either offered or sponsored by the company, are dedicated to improving employee skills so that they can take advantage of the opportunities that change inevitably brings. Ultimately, this results in better service to SASK TEL's customers.

Above — at the end of 1979, there were 14 employees on loan to the TransCanada Telephone System.

Right — the Saskatchewan chapter of Telephone Pioneers of America made a number of worthwhile contributions during the year. Many were aimed at helping handicapped individuals.

SASK TEL continued its educational assistance program during the year by sharing in the costs of tuition and books of employees who successfully completed approved courses. The courses were many and varied and included such subjects as personnel administration, computer science and accounting.

A new two year agreement between SASK TEL and the Communications Workers of Canada was signed in October. The contract, covering about 3,600 employees, expires on March 28, 1981.

As part of an ongoing program 14 employees were on loan to the TransCanada Telephone System (TCTS) at year end. The purpose behind the two and three year assignments is to staff the TCTS offices with trained personnel, familiar with the operations of the member companies.

During the year fifty employees were presented with gold watches in recognition of twenty-five years service with the corporation. The tradition dates back to 1955, the year the province celebrated its golden jubilee. Since that time over 600 employees have received gold watches for their dedication to service.

Employees once again showed their outstanding support for local United Way campaigns as well as other worthwhile organizations. In total, well over $100,000 was contributed by the nine telephone employee benevolent funds.

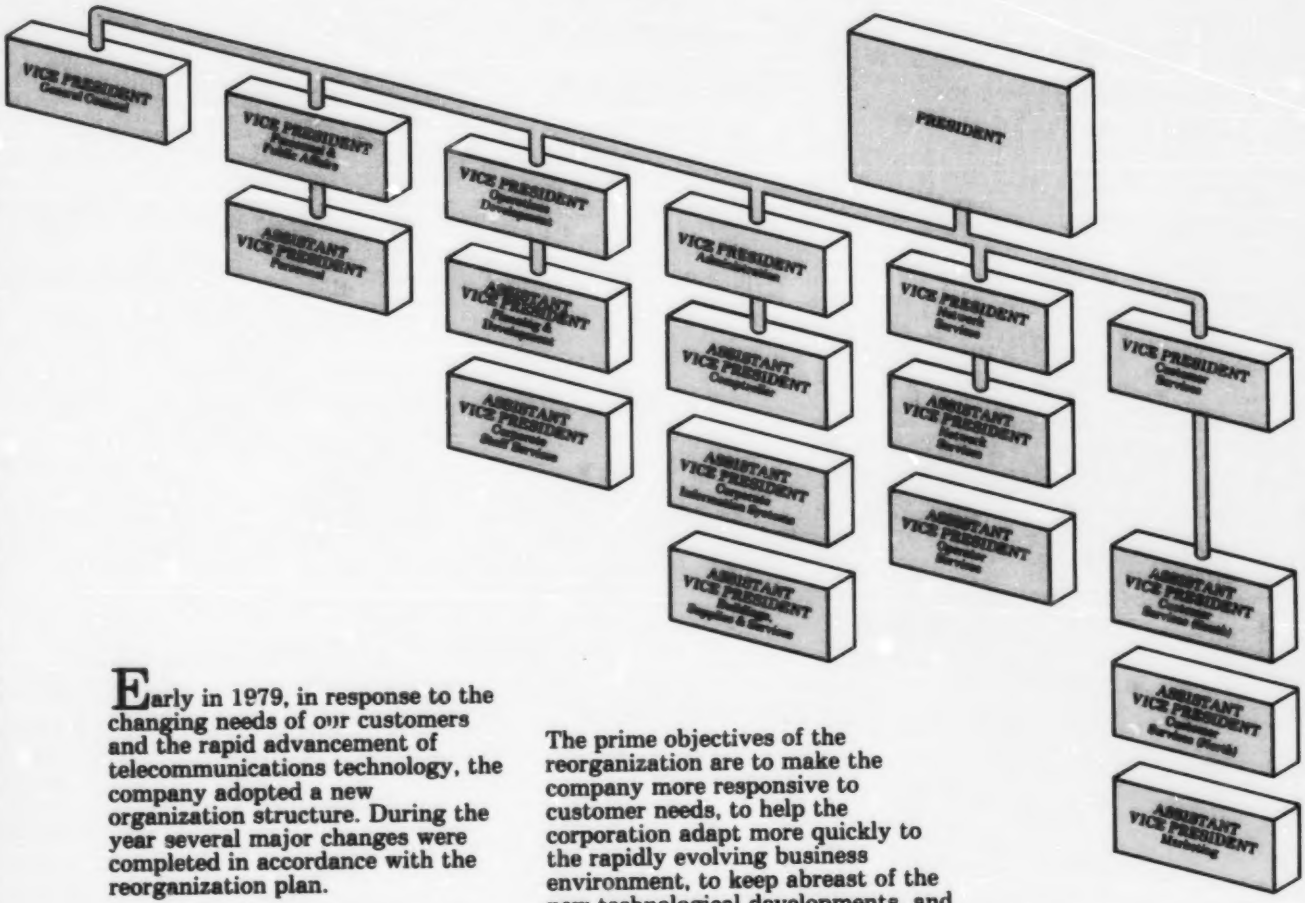
"Employees' dedication to services is widely recognized as one of the reasons for the progress achieved by the corporation."

Many SASK TEL employees continued to help support the volunteer needs of their communities in 1979. Although it is impossible to list the activities of each and every individual, a sampling of their community involvements included participation in sports programs, like the Western Canada Summer Games, service clubs, work with the handicapped and church work.

In addition, the Telephone Pioneers — active and retired employees with many years of telephone industry service — made contributions to improve the quality of life in Saskatchewan. Many of the 1,000 Telephone Pioneers participated in a number of worthwhile projects, several of which were aimed at helping handicapped individuals.

Pony rides always are a big attraction at the annual CWC picnic.

REORGANIZATION



Early in 1979, in response to the changing needs of our customers and the rapid advancement of telecommunications technology, the company adopted a new organization structure. During the year several major changes were completed in accordance with the reorganization plan.

The former Plant, Traffic, Commercial, Engineering, and Planning departments were combined into three new groups, namely — Customer Services, Network Services, and Operations Development. An Administrative Services group will be established and will include the present three departments: Comptrollers; Buildings, Supplies and Services; and Corporate Information Systems.

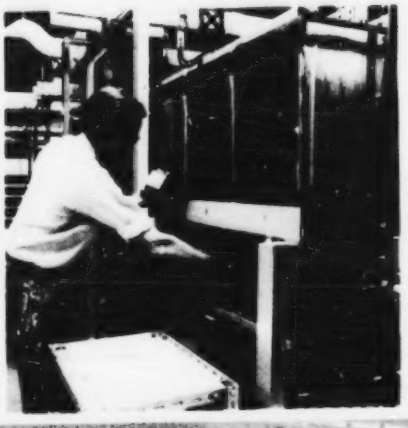
One of the key features of SASK TEL's new structure was the formation of a centralized training organization. Previously the training function was dispersed throughout a number of departments which made the coordination of training programs difficult.

The organizational changes are substantially in place, with completion scheduled for mid-1980.

The prime objectives of the reorganization are to make the company more responsive to customer needs, to help the corporation adapt more quickly to the rapidly evolving business environment, to keep abreast of the new technological developments, and to increase the responsibilities and challenges for individual employees.

At the senior level, the organization will consist of a President and initially four Vice Presidents responsible for the development and implementation of corporate programs designed to meet the telecommunications challenges of the 1980's.

The corporation's customers will continue to be served by staff located throughout the province and organized into eight operating districts. The appointment of District Customer Services Managers with appropriate resources under their direct control will ensure that customer needs are dealt with quickly and in a more efficient manner than was possible under the old structure.



Inset (top) an experimental wind generator was installed near Lumsden late in the year to determine the feasibility of using wind power at remote northern sites. (middle) an employee takes readings to ensure the batteries are up to standards. (bottom) Hon. Don Cody places the finishing touch to Premier Blakeney which officially commissioned the La Ronge digital switching system.

Large photo — A crew member installs part of an antenna on the new radio system.

FACILITIES

New Switching Machines

To help meet the increased demand for local service, the corporation placed a number of new switching machines in service and added extensions to others.

Regina and La Ronge were the sites of the two new switching machine installations. Regina's system went into service in May. The La Ronge switch, the corporation's first digital switching system, was officially commissioned in October when Hon. Don Cody, Minister of Telephones, placed a call to Premier Blakeney in Regina.

With the cutover of the La Ronge switch, the corporation entered the age of digital switching. SASK TEL, by installing equipment which is on the leading edge of the new switching technology, will be able to continue to provide its customers with the very latest in modern services available in the marketplace.

Toll Circuits

To handle the growing demand for long distance service the installation of additional toll circuits took place in many parts of the province. These increases were attained by installing microwave radio buildings, burying hundreds of kilometres of cable, and putting more long distance switching and transmission equipment into service.

In total, almost $12 million of SASK TEL's 1979 construction budget went to providing more intra-provincial as well as TransCanada long distance facilities.

Buildings

SASK TEL's new head office building in Regina's Cornwall Centre development began to take shape as the year drew to a close. It is expected that the 13 storey structure, encompassing 360,000 square feet, will be ready for occupancy late in 1981.

A number of other buildings were built in 1979 with additions and renovations carried out to several more.

Early in the year Customer Service Centre buildings were completed at Saskatoon and Yorkton. In the north, a building to house the corporation's first digital switch was finished at La Ronge early in 1979. In September, the corporation's new Customer Service Centre in Prince Albert was officially opened by Hon. Don Cody, Minister of Telephones.

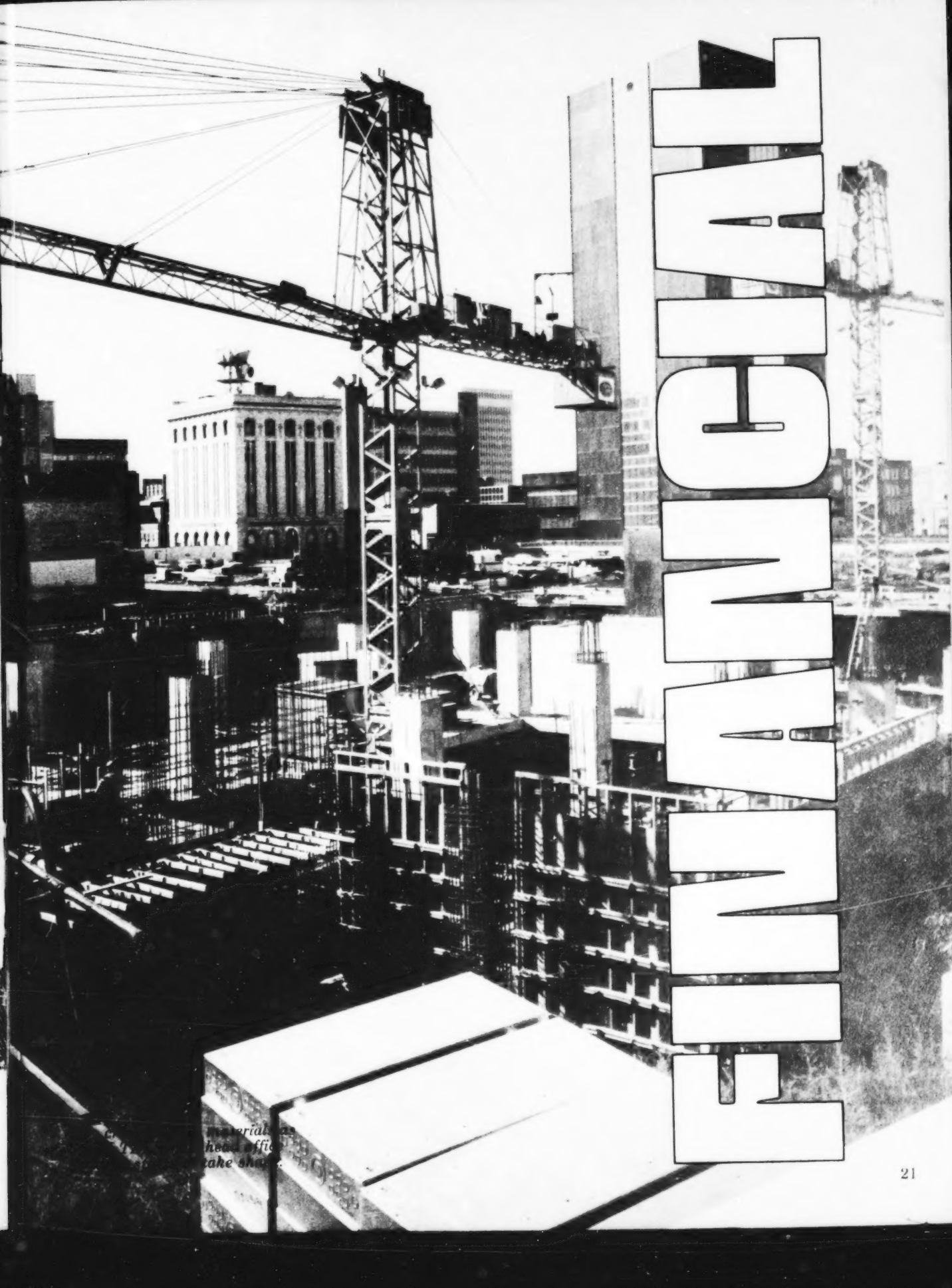
Community Dial Offices at Martensville, Canwood and White Fox received building extensions in 1979 which allow them to accommodate additional local switching equipment necessary to handle the increased demand for service. Additions to several other dial offices including Raymore and Punnichy and the construction of subdistrict work centres at Maple Creek, Watson and Watrous were under way at year end.
Prefabricated radio buildings to accommodate microwave radio and/or mobile radio equipment were installed at Balcarres, Camsell Portage, Fort Qu'Appelle, Melville and a few other isolated locations.

The awarding of a contract for the construction of Weyburn's new main exchange building took place in December. When completed late in 1980, the building will house new switching equipment as well as equipment for long distance operators. Also in progress at year end was the construction of a Customer Service Centre in Estevan.

All of the new buildings, including SASK TEL's head office, were designed with energy conservation in mind. Steps were also taken to conserve energy in existing buildings. These included the reduction of some lighting levels and the establishment of heating and cooling guidelines.

During the year major renovations were carried out at a number of locations, including Moose Jaw's business office, the fourth floor of the Regina 12th Avenue building and the third and fourth floors of Saskatoon's main exchange building.

A new computer-controlled switching system was placed into service in May at the Regina 1825 Lorne Street building.



FINANCIAL

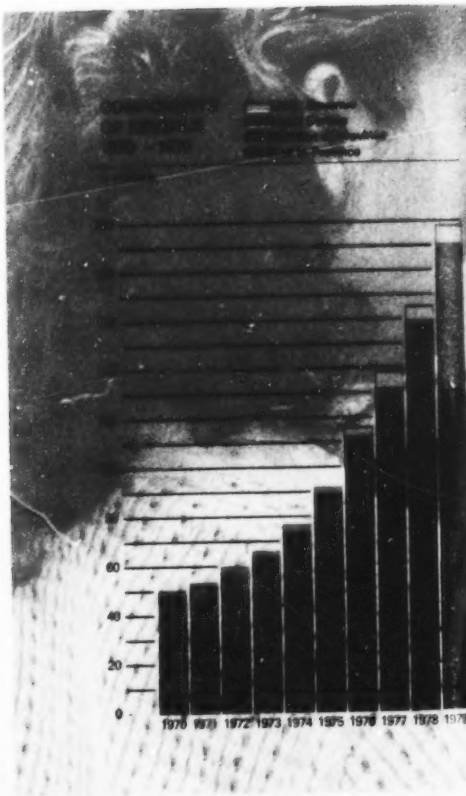
R. N. Gallant
Assistant Vice President
Acting Comptroller

The financial results for 1979 reflect the continued strong demand experienced during the year for the various telecommunications services that are provided.

Operating revenues of $197.3 million are up $32.4 million or 19.6% over 1978. Contributing significantly to this gain were increases of 6.1% in telephones in service and 10.2% in long distance calling. Other contributing factors were additional cable television revenues, increased directory advertising revenue and the rate increase introduced on April 1 for various in-province services.

Operating expenses amounted to $139.9 million, an increase of $22.6 million or 19.3% over 1978. The increase comprises $9.3 million in added salary and benefit costs, $10 million in additional depreciation provisions and $3.3 million in further material, service and tax costs. These increases reflect growing service demands in terms of

Above — a new streamlined cash processing system was introduced late in the year.



An employee keys information into a Computer Assisted Data Entry machine.

added staff, telecommunications property, material, supply and services and the effects of inflation. In addition, the significant increase in depreciation expense reflects upward adjustments to depreciation rates necessitated mainly through advancing technology.

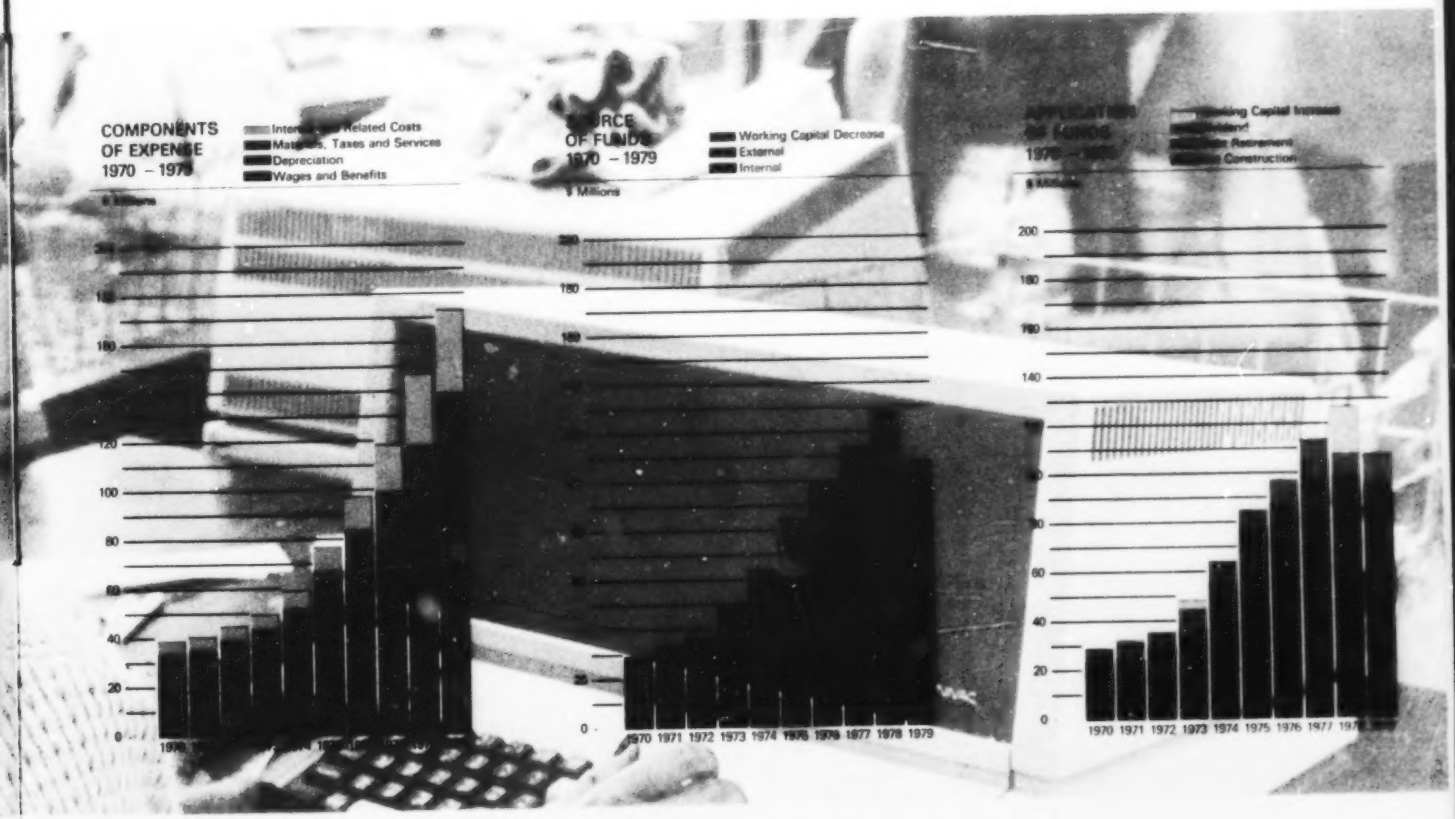
Interest and related costs increased by $4 million during the year and amounted to $32.2 million. While the level of short term borrowing was minimal in 1979, higher interest rates together with long term financing in May accounted for most of the 14% interest expense increase.

Net income for the year of $25.2 million is up $5.8 million over 1978. This represents a 4.8% net rate of return on average capital employed, up from the 4.2% realized in 1978, but equal to the return achieved in 1977. One half of the net income amounting to $12,625,000 has been declared as a dividend to the Crown Investments Corporation of Saskatchewan.

"Net income for the year of $25.2 million is up $5.8 million over 1978".

A significant portion of the total capital requirements for 1979 have been financed internally. During the year internally generated funds of $63.9 million and working capital reductions of $4.9 million together with net proceeds from the $40 million — 25 year 10% Province of Saskatchewan debentures provided for capital requirements of the corporation. These requirements consisted of $89.9 million in net construction expenditures, $5.6 million debt redemption and a dividend of $12.6 million.

Gross construction expenditures amounted to $95.6 million which, after retirements, brings total investment in such property to $723.2 million at year-end.

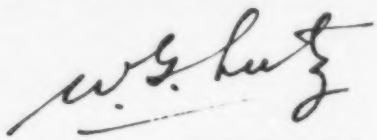


AUDITOR'S REPORT

To the Members of the Legislative Assembly
of the Province of Saskatchewan:

I have examined the statement of financial position of Saskatchewan Telecommunications as at December 31, 1979 and the statements of operations and retained earnings and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of Saskatchewan Telecommunications as at December 31, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Regina, Saskatchewan,
February 1, 1980.

W. G. Lutz, C.A.,
Provincial Auditor.

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

(For the Year Ended December 31)

	1979	1978
	(Thousands of Dollars)	
OPERATING REVENUES		
Long distance service	$ 130,249	$ 108,651
Local service	59,833	51,345
Other	7,183	4,918
	197,265	164,914
OPERATING EXPENSES		
Maintenance and operations	63,264	55,434
Depreciation (Note 2)	43,859	33,895
General and administrative	32,733	27,913
	139,856	117,242
	57,409	47,672
INTEREST AND RELATED COSTS (Note 3)	32,160	28,204
NET EARNINGS	25,249	19,468
Retained earnings, beginning of year	109,940	100,197
	135,189	119,665
Dividend	12,625	9,725
RETAINED EARNINGS, end of year	$ 122,564	$ 109,940

See accompanying notes.

STATEMENT OF FINANCIAL POSITION

(As at December 31)

Assets

	1979	1978
	(Thousands of Dollars)	
Property, plant and equipment (Note 4)	$ 528,540	$ 481,381
Investment — Telesat Canada (Note 5)	999	999
Current Assets		
Cash and temporary cash investments — at cost	2,637	11,677
Accounts receivable	34,037	26,162
Prepayments	1,096	1,118
	37,770	38,957
Deferred Charges (Note 6)	17,408	21,833
	$ 584,717	$ 543,170

Liabilities and Province's Equity

Long-Term Debt (Note 7)	$ 424,256	$ 399,057
Province's Equity		
Retained earnings	122,564	109,940
Current Liabilities		
Accounts payable	15,480	15,157
Interest accrued	7,230	7,061
Dividend payable	12,625	9,725
Service billed in advance	2,562	2,230
	37,897	34,173
	$ 584,717	$ 543,170

See accompanying notes.

STATEMENT OF CHANGES IN FINANCIAL POSITION

(For the Year Ended December 31)

	1979	1978
	(Thousands of Dollars)	
SOURCE OF FUNDS		
Operations		
Net earnings	$ 25,249	$ 19,468
Add: Depreciation and other items not requiring current funds	38,688	28,522
	63,937	47,990
External		
Long-term debt and notes payable (net)	39,300	80,223
Working capital decrease (increase)	4,912	(19,605)
	$ 108,149	$ 108,608
APPLICATION OF FUNDS		
Construction expenditures		
Gross	$ 95,598	$ 97,045
Less: Net salvage value of plant retired, capital contributions and other items not requiring current funds	5,660	5,455
	89,938	91,590
Repayment of long-term debt	5,586	7,293
Dividend	12,625	9,725
	$ 108,149	$ 108,608

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 — STATUS OF THE CORPORATION

The provincial telephone system, in operation since 1908 as a department of government, was established as a Crown Corporation on June 1, 1947 under the name of Saskatchewan Government Telephones. On April 1, 1969, pursuant to The Saskatchewan Government Telephones Change of Name Act, 1969, the Corporation's name became Saskatchewan Telecommunications.

The corporation, under the provisions of its Act, constructs, maintains and operates a provincial telecommunications system, provides telecommunication services, and participates in establishing, constructing and operating a coordinated telecommunications system in Canada.

The financial results of the Corporation are included in the consolidated financial statements of the Crown Investments Corporation of Saskatchewan.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property, Plant and Equipment

Property, plant and equipment is recorded at original cost and includes materials, services, direct labour and associated benefit costs, which are readily identifiable and quantifiable with the construction activity. In addition, the Corporation includes the cost of funds used to finance construction, based on the size and duration of the projects.

Depreciation

Depreciation is computed on the straight-line method using rates as determined by a continuing program of engineering studies for each class of property in service.

When depreciable telephone property is retired, the original cost of such property, adjusted by any disposal proceeds and costs of removal, is charged to accumulated depreciation.

The composition depreciation rate on the average depreciable telecommunications property in service was 7.39% in 1979 (6.41% in 1978). Depreciation expense for 1979 included $1.9 million in respect of capital costs from prior periods deemed unrecoverable.

PENSION FUND OBLIGATIONS

SASK TEL Superannuation Plan

SASK TEL meets its financial obligation for employee superannuation allowances payable in the future under this Plan by making regular payments into the SASK TEL Superannuation Fund equal to the annual current service pension costs recorded by SASK TEL. The costs are calculated at the actuarially determined rate necessary to provide for future superannuation benefits over the remaining working lives of the employees. The latest actuarial valuation of the Fund was prepared as at December 31, 1978.

Public Employees (Government Contributory) Superannuation Plan

The pension costs to SASK TEL under this Plan are equal to the required employee contribution. SASK TEL meets its financial obligation through regular monthly payments to the Plan.

Gain on Retirement of Long-Term Debt Before Maturity

Under a modified Sinking Fund Policy, long-term debt may be retired prior to maturity through cancellation of the Province of Saskatchewan bonds held in the Sinking Fund. Any gain is amortized over the remaining life of the advance.

Foreign Currency Translation

SASK TEL follows the temporal method of accounting for the translation of foreign currency amounts. Any future unrealized exchange gains and losses relating to the translations of net long-term debt will be amortized over the remaining life of the net debt.

NOTE 3 — INTEREST AND RELATED COSTS

	1979	1978
	(Thousands of Dollars)	
Interest charges	$ 40,246	$ 35,040
Amortization of discount	291	258
Foreign exchange provision	610	693
	41,147	35,991
Less: Sinking fund earnings	4,706	4,053
Gain on debt retirement	285	212
Interest charged construction	777	1,061
Interest on temporary cash investments	3,219	2,461
	$ 32,160	$ 28,204

NOTE 4 — PROPERTY, PLANT AND EQUIPMENT

	1979	1978
	(Thousands of Dollars)	
Buildings, plant and equipment	$665,562	$605,845
Land	19,947	12,953
Plant under construction	26,455	21,658
Material and supplies	11,212	9,240
	723,176	649,696
Less: Accumulated depreciation	194,636	168,315
	$528,540	$481,381

NOTE 5 — INVESTMENT-TELESAT CANADA

This investment represents 99,900 common shares no par value, of Telesat Canada at an issue price of $10 per share.

NOTE 6 — DEFERRED CHARGES

	1979	1978
	(Thousands of Dollars)	
Applicable to long-term debt:		
Unamoritized discount . . .	$ 4,763	$ 4,355
Unamoritized unrealized net foreign currency losses	15,398	18,852
	20,161	23,207
Less: Unamortized gain on retirements before maturity . .	2,753	1,374
	$ 17,408	$ 21,833

NOTE 7 — LONG-TERM DEBT — PROVINCE OF SASKATCHEWAN

Percent	Due Date	Recorded Debt Outstanding (Thousands of Dollars)	
5.250	Oct. 16, 1981	$ 3,031	
5.500	Nov. 15, 1982	1,795	
5.000	Sept. 1, 1983	6,779	
4.750	Jan. 2, 1984	2,724	(a)
5.500	Jan. 15, 1984	4,302	
5.500	July 15, 1985	2,607	
5.500	Dec. 1, 1985	5,186	
5.650	1986	7,401	(b)
5.698	1987	2,682	(b)
6.000	Mar. 1, 1987	2,928	
6.549	1988	2,000	(b)
7.541	1989	10,100	(b)
8.093	1990	9,806	(b)
4.875	Oct. 1, 1990	6,883	(a)
7.125	1991	9,461	(b)
7.528	1992	15,093	(b)
7.689	1993	8,644	(b)
7.750	Feb. 15, 1998	5,000	
8.250	Dec. 3, 1998	15,000	
10.000	Dec. 2, 1999	25,000	
9.875	Nov. 3, 2000	30,000	(c)
10.250	Apr. 1, 2001	25,000	
9.000	Feb. 1, 2002	25,000	
9.500	June 15, 2003	30,000	
10.000	May 15, 2004	40,000	
8.700	Nov. 15, 2006	58,330	(a)
8.625	May 15, 2007	58,330	(a)
9.250	Apr. 15, 2008	58,330	(a)
		471,412	
Less: Equity in sinking funds		47,156	(d)
Net long-term debt — December 31, 1979		$424,256	

(a) Represents long-term debt repayable in United States dollars having a U.S. face value of $158,235,000 converted to $167,586,000 Canadian at time of issue. It is recorded in Canadian Dollar equivalent of $184,597,000 based on the foreign exchange rate prevailing as at December 31, 1979.

(b) Long-term debt totaling $65,187,000 received through the Canada Pension Plan under 20 year terms, is subject to redemption on six months notice.

(c) Subject to right of prepayment on November 3, 1983, if the holder so elects.

(d) Under conditions attached to all long-term debt, SASK TEL is required to pay annually into Sinking Funds administered by the Province of Saskatchewan amounts ranging from 1% to 3% of the original value of long-term debt received. The equity shown includes United States investments held in the fund having a U.S. value of $1,499,000 recorded at $1,749,000 Canadian Dollar equivalent based on the foreign exchange rate prevailing as at December 31, 1979.

(e) Total Sinking Fund installments and long-term debt repayments (net of Sinking Fund Equity) on outstanding debt over the next five years are as follows:

1980 — $6,397,000
1981 — $7,613,000
1982 — $7,026,000
1983 — $2,441,000
1984 — $6,344,000

NOTE 8 — CONTINGENCIES

SASK TEL is a defendant in court actions contesting the amount of compensation payable to owners of lands expropriated in downtown Regina and to a consultant with respect to the development proposed on such lands. On advice of counsel, SASK TEL is contesting all these actions and believes it has valid defences to them.

NOTE 9 — REMUNERATION OF DIRECTORS AND OFFICERS

In 1979, the aggregate remuneration of 10 directors (1978 — 10), was $4,400 (1978 — $6,200).

The aggregate remuneration of 15 officers, (1978 — 15) was $592,977 (1978 — $552,814).

NOTE 10 — COMPARATIVE INFORMATION

Certain figures for the year 1978 have been restated to conform with the 1979 presentation.

TEN YEAR RECORD OF SERVICE

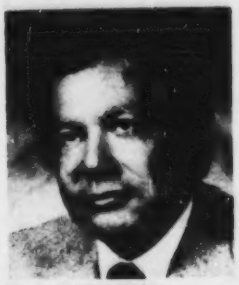
at December 31	1979	1978	1977	1976
TELEPHONES				
SASK TEL Owned	584,456	551,053	516,312	451,685
Connected*	186,809	172,792	191,901	140,998
Net Increase*	33,403	34,741	64,627	29,893
Rural Company Owned (Switched by SASK TEL)	6,812	9,040	13,687	47,762
Telephones Per 1000 People	616	590	563	531
NUMBER OF EXCHANGES	341	342	338	335
NUMBER OF TOLL OFFICES	2	4	12	18
LONG DISTANCE MESSAGES (Thousands of Messages)				
(Origin — Saskatchewan)*	65,134	59,108	52,171	46,948
FINANCE (In Thousands of Dollars)				
Operating Revenues*	$ 197,265	$ 164,914	$ 137,036	$ 116,096
Operating Expenses*	$ 139,856	$ 117,242	$ 98,792	$ 83,334
Interest and Related Costs*	$ 32,160	$ 28,204	$ 20,302	$ 13,701
Net Income*	$ 25,249	$ 19,468	$ 17,942	$ 19,061
Dividend*	$ 12,625	$ 9,725	$ 8,975	$ 9,500
Gross Construction Expenditures*	$ 95,598	$ 97,045	$ 103,739	$ 87,179
Property, Plant and Equipment	$ 723,176	$ 649,696	$ 566,488	$ 470,992
Long-Term Debt — Province of Saskatchewan	$ 471,412	$ 453,663	$ 350,715	$ 278,952
Debt as a Percent of Year-End Capital	77.6%	78.4%	75.5%	73.0%
EMPLOYEES AND PAYROLL				
Number of Employees	4,024	3,957	3,820	3,622
Salaries Earned* (Thousands of Dollars)	$ 76,100	$ 67,389	$ 58,953	$ 50,087

*For the Year Ended December 31

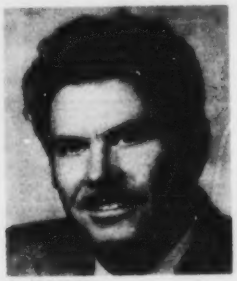
1975	1974	1973	1972	1971	1970
421,792	390,973	366,515	344,661	328,126	314,981
142,284	125,643	123,372	110,233	100,608	94,527
30,819	24,458	21,854	16,535	13,145	8,098
49,721	50,254	50,648	50,616	50,723	51,062
510	485	459	431	409	393
332	330	332	337	345	359
22	24	26	26	18	21
42,342	36,126	28,995	23,170	20,653	18,896
$ 92,320	$ 76,673	$ 66,319	$ 59,869	$ 53,965	$ 50,616
$ 67,316	$ 52,164	$ 44,175	$ 39,636	$ 35,753	$ 33,821
$ 9,810	$ 6,993	$ 5,808	$ 5,798	$ 5,489	$ 5,077
$ 15,194	$ 17,516	$ 16,336	$ 14,435	$ 12,723	$ 11,718
$ 7,600	$ 8,750	$ 8,150	$ 7,200	$ 6,350	$ 5,850
$ 76,567	$ 54,085	$ 36,010	$ 25,616	$ 22,660	$ 22,418
$ 394,900	$ 331,488	$ 287,178	$ 261,329	$ 246,289	$ 232,742
$ 208,276	$ 182,154	$ 159,303	$ 137,712	$ 139,144	$ 132,102
70.3%	67.2%	66.5%	66.9%	69.6%	71.9%
3,344	2,974	2,695	2,556	2,449	2,434
$ 39,908	$ 29,325	$ 23,339	$ 20,395	$ 17,896	$ 16,352

EXECUTIVE OFFICERS

A. L. M. Nelson
President



F. A. Degenstein
Vice President Customer Services
Vice President Network Services



J. Houston
Vice President Personnel and Public Affairs

T. A. Howe
Vice President
General Counsel

S. F. Lee
Vice President Operations Development

H. E. Freberg
Assistant Vice President
Customer Services (South)

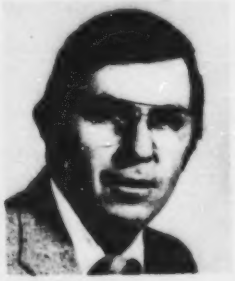
J. A. Funk
Assistant Vice President
Corporate Information Systems

R. N. Gallant
Assistant Vice President
Acting Comptroller

D. M. Harvey
Assistant Vice President
Corporate Staff Services

J. G. McGregor
Assistant Vice President
Planning and Development

G. A. Spencer
Assistant Vice President
Buildings, Supplies and Services



N. F. Stepan
Assistant Vice President
Marketing

P. Van Vliet
Assistant Vice President
Network Services

W. A. Warner
Assistant Vice President
Operator Services

A. A. Wolfe
Assistant Vice President
Customer Services (North)